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EU-28

Tree Nuts Annual

2015

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Report Highlights:
This report is an update of GAIN Report SP1529. The United States exported $2.7 billion of tree nuts in 2014, a new record figure since 1970 and up 20 percent compared to last year. The bulk of imports correspond to almonds with $1.7 billion, followed by walnuts with $0.5 billion and pistachios with $0.45 billion. The transition from VASP (Voluntary Aflatoxin Sampling Plan) to PEC (Pre-Export Checks) has been smooth despite some initial confusion. PEC became effective on August 1, 2015.

Executive Summary:

Disclaimer: This report presents the situation and outlook for tree nuts (almonds, walnuts and pistachios) in the EU-28. This report presents the views of the authors and does not reflect the official views of the U.S. Department of Agriculture (USDA). The data are not official USDA data.

This report would not have been possible without the valuable expert contributions from the following Foreign Agricultural Service analysts:

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Abbreviations and definitions used in this report

Conversion factors: conversion factor is used to convert shelled to in-shell tree nuts.
Almonds: 0.6
Walnuts: 2.34
Pistachios: 2.0

GTA Global Trade Atlas
Ha hectare; 1 ha = 2.471 acres

HS Codes: Harmonized System codes for commodity classification used to calculate trade data.
Almonds: Shelled 080212; In-shell 080211
Walnuts: Shelled 080232; In-shell 080231
Pistachios: 080250 (until December 2011); In-shell 080251, Shelled 080252 (since January 2012)

MT Metric ton = 1,000 kg
EU MS European Union Member State(s)

MY Marketing year
Almonds: September/August
Walnuts: October/September
Pistachios: September/August

USD U.S. Dollar (Exchange rate at time of publishing €1=US$ 1.13)

Executive Summary:

US and EU: important trading partners

In 2014, the EU-28 was the primary export destination for U.S. tree nuts, followed by East Asia. The most important destinations for U.S. tree nuts in 2014 were: the EU-28 (35 percent), East Asia (25 percent), Middle East (11 percent), North America (11 percent) and the South Asia (6 percent). Within the EU, the most important trade partners for US tree nuts are in order of importance Spain, Germany and the Netherlands.

Last year, EU-28 imports of tree nuts totaled 819,856 MT. The US continues to be the largest supplier by far, with 40 percent of the market share. Turkey ranks second with a market share of 13 percent, followed by Vietnam, the Philippines and India. Almost 30 percent of EU tree nuts total imports concern the import of almond and another 14 percent hazelnuts. The US is an important trade partner to the EU for supplying almonds, pistachios and walnuts.

Food processing and snack industry are key buyers of tree nuts

The European food processing and snack industry are the large users of tree nuts. Almonds are mainly used as an ingredient for producing marzipan, nougat, turron (Spanish typical Christmas confection) and many other pastries and sweets. They are also used to manufacture almond butter and paste. Hazelnuts are mainly used in confectionary to make praline and also, in combination with chocolate, for chocolate truffles. Due to the fact that hazelnut oil is strongly flavored and the kernels of walnuts are rich in oil, both are often used for manufacturing cooking oil. Pistachio nuts are used as an ingredient for manufacturing ice cream and confectionary products (such as baklava and mortadella).

When roasted, salted or mixed, tree nuts are a popular snack. Due to changing lifestyles, people are increasingly realizing that nuts can be enjoyed at various occasions and different places. Dinner for instance offers potential for tree nuts, where they can be used as an ingredient and as garnish due to their taste, quality, versatility and convenience.

The pressure of recession is pushing snack companies to be more creative and innovative, adding exotic and new flavor combinations and to increase the use of premium packaging. Due to the mature European market, manufacturers will likely focus their strategies on launching new value-added innovative products rather than volume sales.

Expanding business in EU market

Since the EU is an important market for US tree nuts, exporters are exploring ways to expand their overseas business. Trade shows are an excellent opportunity both to know the market and to meet potential importers. Some of Europe's leading trade shows for tree nuts are: Fruit Logistica in Berlin, Germany; Alimentaria, in Barcelona, Spain; Sial in Paris, France or Anuga in Cologne, Germany. Other important interesting shows include Food Ingredients, Health Ingredients, Vitafoods, PLMA Amsterdam and Biofach. Finally, it would be advisable for new-to-the-market exporters to have a look at the EU-28 Food and Agricultural Import Regulations and Standards report and Exporter Guides produced at the various EU FAS Offices.

US cooperators active in the EU

Trade associations like the Almond Board of California, the California Pistachio Export Council, Western Pistachio Association/CalPure Pistachios and California Walnut Commission continue to develop strategies for the EU market. These trade associations, or so-called cooperators, in cooperation with FAS offices all over Europe, continuously work to further develop the market for U.S. tree nuts.

Commodities:	
Almonds, Shelled Basis	

Production:

The EU is one of the world's leading producers and consumers of almonds. In terms of origin, the United States is by far the largest producer. California is responsible for approximately 80 percent of world's almond production and 100 percent of the U.S. supply. Annually, California production is exported to 90 countries worldwide, and the EU-28 represents approximately one third of California's almond exports.

Spanish production has historically fluctuated greatly and is not expected to increase its production significantly in the long term. This is due mainly to the declines in EU agricultural support programs and the continuing urbanization of traditional production areas. Generally, producers complain that the almond crops are less profitable each year due to the pressure coming from the California almonds and tend to abandon less profitable crops in search for more profitable ones.

For MY 2015/16, the latest official forecast published by the Ministry of Agriculture, Food and Environment (MAGRAMA) shows an estimated production figure of 63,242 MT (shelled basis), a 5 percent increase compared to previous year's crop.

According to the MAGRAMA statistics, some of the main producing regions have increased their production figures compared to previous marketing year. Andalucia (+25 percent), Valencia Region (+57 percent) and Murcia (+22 percent). At the same time, due to adverse weather conditions, some areas saw a decrease in production, such as Aragon (-18 percent), Catalonia (-15 percent) and Castilla-La Mancha (-21 percent).

Italy's MY 2015 almond production is forecast to increase from the previous year to approximately 12,000 MT thanks to favorable weather. Quality is expected to be exceptional. However, due to strong competition from competitively priced Californian and Australian almonds, cultivation in Italy has become less profitable. Therefore, many farmers have been abandoning this crop or shifting to more rewarding cultivations (i.e., citrus fruit, wine grapes, horticultural products). Furthermore, almond orchards are often located in areas where mechanization is not always feasible.

Table 1. Major EU Almond Producers by Volume in MT (Shelled Basis)

COUNTRY	MY 2013/14	MY 2014/15	MY 2015/16
Spain	43,364	60,212	63,242
Italy	7,000	10,000	12,000

Source: FAS Europe Offices and Eurostat

Consumption:

Almonds represent an important component of the Mediterranean diet. In-shell almonds are mainly sold for fresh consumption. Shelled almonds are milled and generally used as a raw material for confectionary and bakery food companies.

Traditionally, consumers prefer locally grown products mainly for loyalty and habits, but since production is not enough to satisfy the enormous demand, imports supply domestic consumption. Also, pricing plays a key role as domestic production leads to higher prices, pushing consumers to look for lower prices and therefore to imported varieties.
Tree nuts imports are indispensable for EU consumers.

Trade:
Imports
In MY 2013/14, the United States was once more the main source of almonds for European importers. U.S. almonds face competition in the EU from locally grown almonds, particularly from Spain. U.S. almonds will likely continue to enter the EU market with highly competitive prices.

The major EU-28 importers of U.S. almonds by volume are Spain, Germany and the Netherlands in this order. Nut crops are less perishable than other fruits. Therefore, in many countries, almond imported quantities are destined not only for domestic consumption, but - after being stored, processed, and packaged - they are re-exported to third countries throughout the year, as well as used in the confectionary, ice cream and chocolate industries.

Table 2. EU-28 Imports of Almonds by Origin in MT (Shelled Basis)

Country of origin	MY 2011/12	MY 2012/13	MY 2013/14
United States	200,342	192,788	217,027
Australia	8,799	11,611	20,066
Morocco	1,464	1,196	1,621
Afghanistan	0	2	843
Chile	1,140	591	387
Pakistan	46	110	276
Others	1,857	1,778	1,535
TOTAL EXPORTS	213,648	208,076	241,755

Source: GTA

Exports

The top destinations for EU-28 almonds in MY 2013/14 were the United States, Switzerland and Belarus. The largest almond exporter is Spain and Spanish exports are destined mainly for other EU

MS.

Table 3. EU-28 Exports of Almonds by Destination in MT (Shelled Basis)

Country of origin	MY 2011/12	MY 2012/13	MY 2013/14
United States	3,002	2,531	3,577
Switzerland	2,027	1,623	1,752
Belarus	68	202	612
Russia	958	705	511
Canada	222	231	348
Tunisia	232	212	347
Others	5,654	4,473	3,541
TOTAL EXPORTS	12,163	9,977	10,688

Source: GTA

Production, Supply and Demand Data Statistics:

Almonds, Shelled Basis EU-28	2013		2014		2015		
	2013/2014		2014/2015		2015/2016		
	Market Year Begin: Sep 2013		Market Year Begin: Sep 2014		Market Year Begin: Sep 2015		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	0		0		0		(HA)
Area Harvested	0		0		0		(HA)
Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Non-Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Total Trees	0	0	0	0	0	0	(1000 TREES)
Beginning Stocks	25,000	30,000	18,000	18,000	0	18,000	(MT)
Production	63,000	58,773	75,000	79,727	0	84,640	(MT)
Imports	265,800	241,755	220,000	230,000	0	235,000	(MT)
Total Supply	353,800	330,528	313,000	327,727	0	337,640	(MT)
Exports	10,800	10,688	11,000	11,000	0	12,000	(MT)
Domestic Consumption	325,000	301,840	290,000	298,727	0	307,640	(MT)
Ending Stocks	18,000	18,000	12,000	18,000	0	18,000	(MT)
Total Distribution	353,800	330,528	313,000	327,727	0	337,640	(MT)

Source: FAS Europe Offices

Commodities:
Walnuts, Inshell Basis

Production:
In France, production and exports are increasing in the long run: exports rose by 70 percent in ten years. The vast majority of walnuts produced in France are exported in-shell. However, France is a net importer of shelled walnuts. Due to high domestic processing costs, some French walnuts are shelled abroad then imported back. Imports and consumption of shelled walnuts are on an upward trend. Exports rose by 80 percent in ten years (2012-2014 vs 2002-2004).

Walnuts intended for processing are believed to represent seven to ten percent of the production. Most of them are exported to Moldova in-shell, then imported back, shelled. In 2014, 9 percent of the production was exported to Moldova in-shell. This country remained the leading market outside of the EU.

During the first nine months of MY 2014/2015 (October 2014 to June 2015), French exports of in-shell walnuts were 5 percent lower than during the first nine months of MY 2013/2014. The main destinations remained the same. Exports to Italy increased by 14 percent while exports to Spain decreased by 18 percent.

Italy's MY 2015 walnut harvest is forecast to reach approximately 10,200 MT. Lower quantities in Southern Italy will be compensated by increased volumes in Northern Italy. Quality is expected to be very good. Italy lost its walnut market leadership a few decades ago and now is a major importer, mainly from the United States. Because farmers generally grow walnut trees for both timber and nuts, nut yields and quality have suffered. Higher input costs and lower prices have negatively affected crop profitability. As a result, Italian walnut production supplies about 20 percent of domestic requirements and the remainder is imported. Most walnuts are cultivated in Campania (Southern Italy), where the main varieties are *Sorrento* and *Malizia*. Some farmers in Northern Italy have established efficient and profitable walnut orchards planted with *Lara* and *Chandler* varieties.

Spain is the third walnut producer in the EU and are mainly grown in the regions of Extremadura, Galicia, Valencia, Castilla-La Mancha, Andalucia, Aragon and Murcia. The MAGRAMA has not yet published the official walnut production data for MY 2015/16. Therefore, if weather conditions are favorable, we can expect an average production of 14,000 MT for current MY.

Table 4. Major EU Walnut Producers in MT (In-shell Basis)

COUNTRY	MY 2013/14	MY 2014/15	MY 2015/16
France	35,510	34,768	38,700
Romania	31,800	41,620	38,000
Spain	14,200	12,900	14,000

Source: FAS Europe Offices

Consumption:
Walnuts are mainly purchased in winter time both in-shell and shelled for fresh consumption, particularly during Christmas time. More consumers are increasingly purchasing walnuts all year round due to their perceived nutritional benefits and healthy snacking trends are expected to drive consumption in the forecast period. The continued release of studies and research showing the

cardiovascular benefits have made walnuts very popular among health-conscious consumers

In this sense, California Walnuts continues to conduct very appropriate consumer advertising campaigns focusing on the health benefits of walnuts as well as the key messages of origin, quality and/or versatility. These actions have a very positive impact in the image of California Walnuts and increased the education on the health benefits of the product.

Consumers use the nuts as a snack, for baking and for inclusion into homemade muesli; industry uses include nuts in cakes, desserts and muesli.

Trade:

Imports

The wide gap between EU walnut production and imports provides excellent opportunities for walnut exporters. The United States is the number one supplier of walnuts, both in-shell and shelled.

The EU imports various types of nuts for direct consumption as well as for further processing and re-export within the region in different forms, such as salted, baked, fried and mixed nuts.

Table 5. EU-28 Imports of Walnuts by Origin in MT (Inshell Basis)

Country of origin	**MY 2011/12**	**MY 2012/13**	**MY 2013/14**
United States	77,162	72,166	84,670
Moldova	21,716	21,302	23,318
Chile	12,944	17,803	22,141
Ukraine	15,915	17,661	19,916
India	9,118	5,358	5,705
China	4,222	3,689	4,947
Others	3,687	4,850	6,137
TOTAL IMPORTS	144,764	142,829	166,834

Source: GTA

Exports

The top destinations for EU-28 walnuts in MY 2013/14 were Turkey, Moldova and Switzerland.

Table 6. EU-28 Exports of Walnuts by Destination in MT (Inshell Basis)

Country of origin	MY 2011/12	MY 2012/13	MY 2013/14
Turkey	4,633	3,084	7,674
Moldova	2,773	2,235	3,086
Switzerland	2,426	2,743	2,633
China	11	52	1,805
United States	359	1,779	1,745
Iraq	566	240	1,044
Others	6,334	5,667	6,602
TOTAL EXPORTS	17,102	15,800	24,589

Source: GTA

Production, Supply and Demand Data Statistics:

Walnuts, Inshell Basis EU-28	2013		2014		2015		
	2013/2014		2014/2015		2015/2016		
	Market Year Begin: Sep 2013		Market Year Begin: Sep 2014		Market Year Begin: Sep 2015		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	0	46,090	0	46,482	0	46,873	(HA)
Area Harvested	0	41,656	0	40,592	0	40,993	(HA)
Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Non-Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Total Trees	0	0	0	0	0	0	(1000 TREES)
Beginning Stocks	40,000	40,000	40,000	40,000	0	40,000	(MT)
Production	98,800	109,658	105,000	111,004	0	117,050	(MT)
Imports	171,400	166,834	170,000	170,000	0	170,000	(MT)
Total Supply	310,200	316,492	315,000	321,004	0	327,050	(MT)
Exports	24,700	24,589	20,000	25,000	0	26,000	(MT)
Domestic Consumption	245,500	251,903	255,000	256,004	0	261,050	(MT)
Ending Stocks	40,000	40,000	40,000	40,000	0	40,000	(MT)
Total Distribution	310,200	316,492	315,000	321,004	0	327,050	(MT)

Source: FAS Europe Offices

Commodities:
Pistachios, Inshell Basis

Production:

Pistachio is a traditional crop in Italy, especially in Sicily region (Bronte area), where more than 90 percent of the production is located. *Bianca* (also called *Napoletana*) is the main pistachio variety grown in Italy and is normally harvested in September. In recent years, pistachio production has slightly expanded to other areas in Sicily and Basilicata, where newer and input intensive orchards have been planted. Since 2004, pistachio from Bronte has been awarded by the European Commission as a PDO (Protected Designation of Origin), distinguishing it from all other pistachio varieties worldwide. Pistachio trees production is cyclical, bearing heavily in alternate years. MY 2015 will be a "higher" bearing year thanks to favorable conditions during flowering and fruit set. Quality is expected to be exceptional.

Consumption:

Domestic EU pistachio production is not sufficient to cover domestic demand, resulting in significant imports from Iran and the United States.

The overall pistachios use can be split among many different ones starting from the in-shell basically traded as a snack food or as an ingredient employed by restaurant, shelled pistachios are used by bakeries and food companies (bakeries, cosmetic companies, sweet food companies and so on) while ice-cream makers mainly employ milled pistachios.

Trade:

Imports

The EU is a net importer of pistachios due to very limited EU production. The main suppliers for the European market are the United States and Iran, who together account for nearly 100 percent of total imports. The United States is Iran's biggest rival regarding pistachio exports and production. Though Iran is the number one producer and exporter of pistachios in the world, the Unites States is quickly catching up.

U.S. pistachios continue to be the main source of pistachios in the EU, as they have a higher quality image than their major competitor.

Table 8. EU-28 Imports of Pistachios by Origin in MT (Inshell Basis)

Country of origin	**MY 2011/12**	**MY 2012/13**	**MY 2013/14**
United States	31,105	43,994	51,831
Iran	14,470	19,431	20,339
Turkey	943	3,721	1,581
China	54	683	443
Syria	451	1,003	431
Others	250	561	510
TOTAL IMPORTS	47,273	69,393	75,135

Source: GTA

Exports

EU-28 exports of pistachios are very limited. The top destinations for EU-28 pistachios in MY 2013/14 were Switzerland and Melilla, an autonomous Spanish city located in the North of Africa. The major pistachio exporters are Greece, Italy and Spain.

Table 8. EU-28 Exports of Pistachios by Destination in MT (Inshell Basis)

Country of origin	MY 2011/12	MY 2012/13	MY 2013/14
Switzerland	157	405	294
Melilla	157	123	179
Norway	10	35	104
Belarus	27	127	83
Others	406	891	612
TOTAL EXPORTS	757	1,581	1,272

Source: GTA

Production, Supply and Demand Data Statistics:

Pistachios, Inshell Basis EU-28	2013		2014		2015		
	2013/2014		2014/2015		2015/2016		
	Market Year Begin: Sep 2013		Market Year Begin: Sep 2014		Market Year Begin: Sep 2015		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	0	17,933	0	17,935	0	18,029	(HA)
Area Harvested	0	15,778	0	15,347	0	15,859	(HA)
Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Non-Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Total Trees	0	0	0	0	0	0	(1000 TREES)
Beginning Stocks	1,500	1,500	1,500	1,500	0		(MT)
Production	13,000	8,357	13,000	8,630	0	9,130	(MT)
Imports	74,050	75,135	75,000	76,000	0	77,000	(MT)
Total Supply	88,550	84,992	89,500	86,130	0	86,130	(MT)
Exports	1,300	1,272	1,000	1,300	0	1,300	(MT)
Domestic Consumption	85,750	82,220	87,000	83,330	0	83,330	(MT)
Ending Stocks	1,500	1,500	1,500	1,500	0	1,500	(MT)
Total Distribution	88,550	84,992	89,500	86,130	0	86,130	(MT)

Source: FAS Europe Offices

Commodities:
Almonds, Shelled Basis
Walnuts, Inshell Basis
Pistachios, Inshell Basis

Policy:

Between 2004 and 2011, almonds, hazelnuts, walnuts, pistachios and locust beans benefited from the direct support schemes for farmers established by European Council Regulation (EC) No 73/2009 under the Common Agricultural Policy (CAP).

Since 2012, the EU aid was separated from production (decoupling), though MS are allowed to continue to provide with a national aid. In the case of Spain, the national aid will be co-financed by the MAGRAMA and the Autonomous Regions. According to the Spanish Agricultural Guarantee Fund (FEGA), in MY 2014/15 the national aid in Spain will be 9,176 €/ha ($10.26/ha) for a total of 429,394.5 hectares. The total national aid has been shrinking since 2012, when total aid was 13,61 M €, to 4-4.5 M € in 2014.

Aflatoxin Certification for Tree Nuts

Aflatoxin certification is an import instrument for U.S. exports to the EU of almonds, pistachios and peanuts. Information on the product specific programs is available from the respective commodity groups as well as from the USDA Agricultural Marketing Service (AMS).

Special EU Import Conditions for U.S. Almonds

These regulations no longer apply to Almonds **after September 3, 2014 following the publication of** Commission Implementing Regulation (EU) No 884/2014 of 13 August 2014 imposing special conditions governing the import of certain feed and food from certain third countries due to contamination risk by aflatoxins and repealing Regulation (EC) No 1152/2009**.**

For all the details, please visit the Almond Board of California webpage.

Pistachios
For information on aflatoxin certification on pistachios, please visit:

- Administrative Committee for Pistachios (ACP): http://www.acpistachios.org/acp_contact.htm
-
- USDA-AMS Technical Services – Pistachio Aflatoxin Program

Efforts Continue to Address Extension of Fosetyl-Al Maximum Residue Level (MRL)
Almond, pistachio and walnut producers are working closely with DFA and European associations to provide data needed to support extension of the MRL for fosetyl-Al. In a reply to European associations, the European Commission questioned the need to extend the MRL, stating concerns that doing so would establish a "precedent." U.S. government authorities are working closely with their counterparts in Europe to address the justification for the extension, given the fact that there is no risk to consumers (based on the EU's own risk assessment) and to do so would avoid considerable trade disruption for the $2.7 billion in tree nut exports.

Levels of Aflatoxins
Commission Regulation (EU) No 165/2010 increased the maximum aflatoxin levels for almonds and pistachios, as well as apricot kernels, hazelnuts and Brazil nuts, bringing them in line with the Codex

Alimentarius levels for tree nuts adopted in July 2008. As a result of both new EU regulations, EU aflatoxin levels are in line with existing Codex maximum aflatoxin levels and sampling plans. However, EU legislation has a more extensive product coverage and also includes separate maximum limits for aflatoxin B1.

The new levels, effective on March 9, 2010, changes to maximum tolerance for aflatoxin to the following:

	Ready-to-Eat (RTE)	**For Further Processing (FFP)**
Almonds	10 ppb total 8 ppb B1	15 ppb total 12 ppb B1
Hazelnuts, Brazil Nuts	10 ppb total 5 ppb B1	15 ppb total 8 ppb B1
Pistachios	10 ppb total 8 ppb B1	15 ppb total 12 ppb B1

Related Reports

Report Number	Title	Date Released
BU1520	Bulgaria - Tree Nuts Market Update	07/06/2015
IT1483	Italy Tree Nuts Annual 2014	09/10/2014

SP1422	EU-28 Tree Nuts Annual	09/15/2014
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